INTERGOLD®

Annual Report

2000

Intergold is *Excellence*

We work as individuals and team members to deliver ideas, products, and services that our customers rate as "**excellent**". We achieve success for our customers, our shareholders, and for ourselves through dedication and self-improvement, and we take pride in doing it. We find new and innovative ways to delight our customers in the quality and timeliness of our products and services.

Intergold is *Responsibility*

We take responsibility for developing our competence and efficiency as individuals and as teams. We are committed to growth as a business and as individuals. We maintain a safe, clean, healthy and organized work environment and are proud of our work and the tools of our trade. We select our customers, our suppliers and our staff carefully, to ensure long lasting, and mutually-beneficial relationships.

Intergold is *Integrity*

We are loyal in our support of individuals and teams within the Intergold family, treating others with respect, honesty, and fairness. We are aware of our social obligations, freely committing our efforts and our resources to support worthy causes in our respective communities. We take pride in the diversity of each individual's background and experience. We recognize everyone's unique gifts and contributions, and celebrate our achievements as individuals and teams. We embody integrity in all our professional relationships. We share. We listen.

TABLE OF CONTENTS

2 **Intergold's Business Profile**

- Rewarding Corporate Excellence
- Celebrating School Spirit
- Immortalizing Athletic Prowness

6 **President's Message**

10 **Management Discussion and Analysis**

16 **Management's Report**

17 **Auditors' Report**

18 **Financial Statements**

21 **Notes to the Financial Statements**

BUSINESS PROFILE

Intergold is an advanced technology-based company involved in the design, manufacture and marketing of precious and non-precious metal custom jewelry. The proprietary Intergold process was created after two decades of research and development, with the goal of creating premium quality custom jewelry, more efficient and more cost-effective than had previously been possible using any traditional jewelry manufacturing techniques. Intergold has succeeded in making a quantum leap in jewelry manufacturing, by introducing computer assisted design, computer assisted manufacturing technology, robotics, advanced materials, and high pressure injection molding technology, while still honoring the craftsmanship of traditional jewelry making.

At the same time, Intergold has made substantial inroads in the highly specialized and competitive field of achievement recognition. The Intergold Manufacturing Process, coupled with proprietary, sophisticated computer-based Process Management Systems, has allowed Intergold to overcome traditional entry barriers into international markets, as a full-service provider of innovative products and programs for the recognition of achievement. The Company's principal customers are corporations who award and recognize employees for all types of achievements, along with more traditional targets such as the High School and College markets and Sports Achievement markets, across North America.

The retail, wholesale, and e-commerce aspects of the business support the Company's goal of maximizing the tremendous advantages of its superior manufacturing technology on a global scale. This is an area the company will continue to explore.

BUSINESS PROFILE

Rewarding Corporate Excellence

Intergold provides unique recognition and rewards programs for major corporations across North America. Intergold's customized programs address the specific needs of each individual client, providing programs that reward quality performance of quality people. Intergold has evolved into a world-class, full-service supplier of recognition jewelry, merchandise awards, and highly customized recognition programs and administration processes. The "Intergold Process" of design and creation that uses next generation technology has revolutionized the recognition jewelry industry. When combined with an outstanding selection of gifts from the world's finest craftsmen and manufacturers, Intergold can supply a huge variety of rewards to suit every client's needs. These products are provided to our clients completely worry-free.

Intergold's proprietary program management system takes the previously tedious process of internally administering a recognition program completely out of a client's hands. Following the receipt of employee data from a client, every stage of the administration process - from the president's letter, to notification, to follow up, to the gift wrapped award, to presentation training, to taxable benefits consequence reports - is handled by Intergold.

Intergold takes the complexity out of the corporate rewards programs process. Intergold provides the client with an on-line fully customized award site or a custom brochure designed specifically for the client, as well an on time management systems that ensures the right award gets to the right person at the right time. Complete recognition "brochures" are now available using Internet and Intranet technologies. Award recipients can browse, make their selections and follow their order throughout the process.

At the same time, program administrators are provided with fully customized reports that allow evaluation and tracking of every aspect of the program, from product popularity to budgets.

Our commitment to "Superior Manufacturing", "Superior Systems" and "Superior Programs" has made Intergold a world-class, recognized leader that has won long term contracts with major corporations across Canada and now into North America. Intergold plans to aggressively expand its market share in this billion-dollar North American industry. To further expand its market potential, Intergold will launch its innovative matrix recognition process that will open doors to smaller organizations who do not have major print or internet site development budgets. We anticipate this will expand our market by approximately 12,000 additional organizations across Canada alone. Intergold is also looking at a major expansion into the United States. Intergold management and the Board are currently studying the feasibility of a US distribution center.

Intergold's unique, industry-leading manufacturing process drives increased market penetration by providing superior customization, better quality, and better value than most major competitors in the marketplace. This strong competitive advantage positions Intergold above all others in our industry, allowing us to capture significant market share. The long-term nature of recognition program contracts represents a recurring revenue stream and ongoing stability for Intergold's growth and expansion.

BUSINESS PROFILE

Celebrating School Spirit

The High School and College ring market is a US $500 million annual business in North America. Primarily three US-based companies, each of who has been in business for over five decades, control this market. Intergold is the first significant entrant into this market in over forty years and the only company that is publicly traded. Intergold has successfully developed the product offerings and the capabilities of the traditional three suppliers to compete effectively in this marketplace. Utilizing the Intergold Process we have broken down traditional manufacturing barriers that have existed in this marketplace. In just the first year of entry into this market, Intergold has set new standards for quality, service, customization, and value. With our quality and service, combined with providing the best-unencumbered net product pricing in the market today, we feel confident that we will attain our objective of capturing 15% market share within this market place within the next 5 years.

To enter this market, in 1999 we built a state-of-the-art manufacturing plant, drawing on the experience and the expertise of some of the best minds in the industry. We now have the experienced personnel, the infrastructure, and capacity to produce over 75,000 high school units and we can increase this capacity to over 200,000 rings with minimal capital expenditures within our existing facilities.

Our goal is to produce the "Highest quality products, Produced in the shortest cycle time, For the lowest cost in the industry" Our performance to date shows we have achieved these goals and the results are beginning to show. Intergold products are receiving accolades across the market place.

BUSINESS PROFILE

Immortalizing Athletic Prowess

The championship division provides rings and other jewelry items to commemorate the accomplishment of sporting teams and individuals at almost every competitive level, from schools to professional leagues. Intergold has been "the choice of champions" of many world class athletic teams, schools and sporting organizations. Intergold delivers unique and innovative designs and superior-quality products in time frames and prices that the competitors cannot match. With the expansion of our distribution network into the US, Intergold is starting to capture a significant portion of this market.

A few of the many organizations Intergold has enjoyed working with include:

Houston Rockets, Calgary Stampeders, Florida State NCAA National Football and Baseball Champions, Houston Comets, Toronto Argonauts, Hamilton Tiger-Cats, Alabama University SEC Champions, Hockey Hall of Fame, Vanier Cup Champions, CJFL Champions, and many more.

PRESIDENT'S MESSAGE

To our shareholders:

In 1999 we launched an ambitious program; to become a more focused, high-technology company. We accomplished this by entering new international markets, while strengthening the synergies among our core technologies and competencies. In order to meet our objective of providing greater value to our shareholders through faster growth in sales and profitability, we built a state of the art manufacturing facility in Calgary that required significant capital expenditures, and invested substantially in our systems, our processes, and our personnel.

We are making solid headway and some of this is reflected in our 2000 results:

- **Revenues increased by 37.4% to 11.3 million;**
- **EBITDA increased from a deficit of $(1,220,283) in 1999 to $1,059,948 in 2000;**
- **G&A expenses declined from 16.4% of sales in 1999 to 11.4% in 2000;**
- **Gross Margins increased from 25.4% in 1999 to 36.8% in 2000;**
- **Our sales to the USA increased by 164% from 1999.**

As we enter the new millennium, the achievements of 2000, which include a significant increase in revenue, working capital, and operating cash flow, has set a solid foundation for our company to flow onwards. As we enter the second phase of our plans, our main focus will be on accelerating our growth - in revenue, earnings and shareholder value.

Intergold today is a dynamic company continually reinventing itself, building on our traditional and new strengths. Our business units share leading edge technology platforms, with state-of-the-art, world class manufacturing operations. Our goal is to expand our marketing channels as we build Intergold into a more powerful brand. As we expand into international markets, we anticipate approximately half our sales in 2001 to come from outside of Canada. Our people today are experienced, dedicated and entrepreneurial, which gives the management the confidence in our ability to continue our consistent growth. In the corporate recognition business, as in any business today, "one-size-fits-all" is out and "one-size-fits-one" is in. We are poised better than ever to meet our challenges ahead with speed, responsiveness, agility and flexibility.

PRESIDENT'S MESSAGE

Our constant strive to build a better, more dynamic and less expensive bridge between our business and our customers is at the heart of our efforts to build a stronger relationship with our customers. E-business continues to be an integral part of our business strategy in each of our business units.

Our Corporate Division continues to launch new and exciting programs for our clients on secure-site Internet and/or Intranet systems, providing flexibility and on-line timely reporting systems for our customers and their recognition strategies.

The School Ring Division operates on our internally developed IOMS-Intergold Order Management System. This B2B web based application has evolved from a order entry platform where the distributors can enter and follow each individual order through the production cycle, to today where it has become an integral part of the day to day operations for each of our distributors. Distributors can now manage all aspects of their business from school set up to customer invoicing and payment tracking.

Building on the successes realized in the School Ring Division, the IOMS is also being expanded to integrate all activities of all divisions within Intergold.

E-commerce will continue to be a powerful force and Intergold will be active on both the business-to-business and business-to-consumer fronts. The management is confident we have the infrastructure, market opportunity and the innovative people to make the most of this opportunity. Based on our proven track record and success to date, we have recently made significant investments in hardware and software to improve the speed and convenience of our transactions with our customers. In each of our business units we continue to earn customer loyalty through the quality of our products, quality of our service, and the ease of doing business with us.

In 1999 we made significant investments in building a new plant and processes to help achieve our goal of: "Highest quality products, Produced in the shortest cycle time, For the lowest cost in the industry". Adhering to these goals in 2000 , we truly set a whole new standard in the industry for quality, delivery and price.

PRESIDENT'S MESSAGE

Intergold

Our championship division raised the bar a number of notches for design, quality and delivery in the marketplace. Intergold designed and manufactured some of the most prestigious sports rings in North America, including the WNBA championship rings, NCAA Football championship rings, SEC conference championship rings, Pac Ten conference championship rings, Grey Cup, CIAU Vanier Cup, CJFL championship rings, among many other state and provincial championship rings.

Our commitment to our goals has also had a significant impact in our High School and University division. In 2000, in just our first year of entering this market place, we made tremendous strides. What is even more encouraging is that, in the first quarter of 2001 we have entered into production more high school rings than we produced in all of 2000. As the word of our achievements in delivery, quality and price keeps spreading across North America, we continue to add new distributors to our distribution channel, and keep winning new and prestigious accounts, such as our most recent addition – "Northwestern University".

Our Corporate Division continued with its successes in 2000, particularly increasing our presence in Eastern Canada. At the same time, 2000 was also a transitional period for this division. In the last half of 2000 and the first half of 2001 we are redefining this business unit from the ground up. We are in the process of analyzing the business fundamentals, current and future customer needs, and the key market trends. We are examining our opportunities, our challenges and our strengths. We have eliminated accounts that provided low margins, and/or had product offerings that did not meet our current strategic fit. At the same time we successfully launched our matrix program that targets small to medium size companies with a diversified yet simple to implement recognition solution. We are also in the final stages of launching a complete line of manufactured recognition products into the US. Although 2001 will be a transition year for this division we anticipate this division to generate much higher volumes and greater margins in 2002.

Our financial and operating accomplishments of 2000 generated enormous pride within all of us at Intergold. Naturally we are disappointed that our progress was not reflected in our stock price at the end of the year. Clearly we need to do a better job of communicating our progress and potential, since we see tremendous opportunities ahead. Senior management has an important personal stake in the Company equity and you, our shareholders, may be assured that management and the Board of Directors will continue to focus all the attention on strategies we believe will enhance the long-term value of Intergold to its shareholders.

PRESIDENT'S MESSAGE

Moving into 2001 and beyond we will continue to build on our key strengths: technological innovations, customer focus, global reach and employee initiatives. We will continue to concentrate our efforts on creating innovative solutions for all of our customers. Our focus will be on accelerating growth in revenue and earnings. We will also search for value added acquisitions with the goal of improving our business strategies and gaining critical mass. We will achieve enduring success by meeting and exceeding the needs of all our key constituents: our customers, our employees and our stockholders.

I am grateful to the talented employees of Intergold, whose dedication to quality and customer service is key to our success to date, while they stand ready for the challenges ahead. We hold tremendous opportunities to continue our double-digit growth with our customers, and we have the people, the strengths, and the strategies to extend our success in the new century.

On behalf of the Board of Directors, I wish to thank our shareholders, employees, customers and suppliers for their enthusiastic support in helping us build a solid foundation for continued growth in 2001 and beyond. For our Company, the shareholders and employees the future looks bright with promise.

Miran Armutlu
Chairman, President, and CEO

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

The following highlights illustrate Intergold's progress in fulfilling its growth objectives.

(Millions of dollars)	2000	1999	1998	1997	1996	Compound Annual Growth
EBITDA	1.1	(1.2)	.12	.37	(.42)	72.4%
Revenue	11.3	8.2	6.9	5.5	4.1	35.1%
Gross Margin	4.1	2.1	2.1	2.1	1.5	34.7%
Total Assets	8.7	6.4	4.4	4.3	3.8	25.8%
Cash from Operations	.67	(1.4)	.13	.36	(.22)	80.9%

- Earnings before interest, income taxes and amortization (EBITDA) increased an impressive $2.3 million in 2000 to $1.1 million. This equates to an EBITDA per share of $.23.

- Revenues continued to exceed Intergold's historic growth rate of 30%, increasing by 37% in 2000 to $11.3 million.

- Liquidity and capital resources improved significantly during the year. Cash flow from operations was up $2.1 million during the year. The Corporation was able to maintain a positive cash flow despite increasing its total assets by $2.3 million.

- In line with the Company's growth and investment strategies, Intergold has invested over $2.8 million since 1998 for additions to property, plant and equipment. Moreover, the Corporation's total assets have grown by an average of 40.1% annually over the past two years. These investments have been facilitated by a continued access to capital markets. Over the last two years Intergold has raised $7.3 million through debt and equity offerings in Canada and the United States.

- Despite the company's net loss position for the year, Intergold was able to decrease its net loss from $1.9 million in 1999 to $160,000 in 2000, an improvement to the bottom line of $1.74 million.

- Gross margin increased by $2.0 million from 1999 to a respectable $4.1 million in 2000. This equates to an 11.4% increase in gross margin percentage from 25.4% in 1999 to 36.8% in 2000.

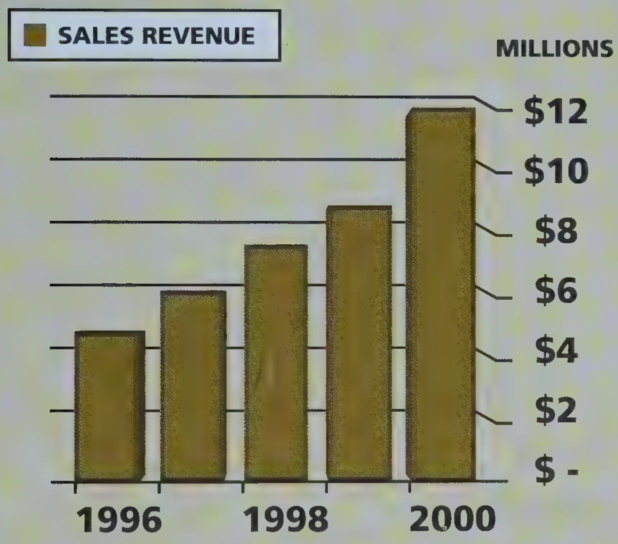
- While increasing revenues for the fifth consecutive year, the Corporation has reduced its general and administrative expenses to 11.4% of sales. Both the general and administrative expenses and the labor expenses declined from the 1999 levels.

MANAGEMENT DISCUSSION AND ANALYSIS

SALES REVENUE

	AUGUST 31, 2000	AUGUST 31, 1999	% INCREASE
SALES	$ 11,266,983	$8,200,833	37.4 %

"INTERGOLD'S REVENUE INCREASED BY 37.4% IN FISCAL 2000 FROM FISCAL 1999 AND HAS GROWN BY 173% OVER THE PAST 5 YEARS."



Sales revenues continued to climb in fiscal 2000 to 11.3 million, increasing by $3,066,150 or 37% from 1999. This exceeded Intergold's average revenue growth rate of 30% over the past 5 years and yields a 173% growth in revenues for the Company since 1996.

In 1999 the Company invested significant resources in developing a state of the art manufacturing facility and building up its international infrastructure. Fiscal 2000 saw the company begin to reap the rewards of its penetration into the international market. Sales to the USA in 2000 were $4.1 million, an increase of $2.54 million or 164% from the prior year. Intergold expects to continue this rapid growth in the international market as the Company continues to develop strong relationships with distributors throughout the world. Intergold has received numerous acclamations for the quality and craftsmanship of its emblematic jewelry from distributors and recipients alike. The Company's ability to produce superior quality emblematic jewelry, with on-time delivery, and at a competitive price will allow Intergold to continue to expand its market share.

Canadian market sales also expanded in fiscal 2000. Revenues from the Company's Corporate Recognition division increased during 2000 primarily as a result of the Company's efforts to focus on increasing its Eastern Canada market share. The company expects its corporate recognition business in Canada to level off in fiscal 2001. The leveling of sales in the Corporate division is a result of the organization shifting its efforts in 2000 to maintaining its current revenue streams and increasing profitability. These goals are being accomplished through a re-structuring and streamlining of the Corporate divisions current operations. The Company also allocated more of its resources and focused more of its efforts on expanding the distribution of its emblematic jewelry in 2000. Fiscal 2001 will see Intergold shift its focus back to increasing it market share in the Corporate Recognition business. Through continued advancements into Eastern Canada, as well as, penetration in the USA market Intergold expects to see significant increases to Corporate recognition revenues in 2002.

Into the first quarter of fiscal 2001, which is typically the slowest quarter of the fiscal year, management anticipates a continued growth in revenue with sales expected to increase by at least 25% from the same period last year. Management expects to see continued growth in revenues throughout fiscal 2001 in both its emblematic and retail jewelry divisions.

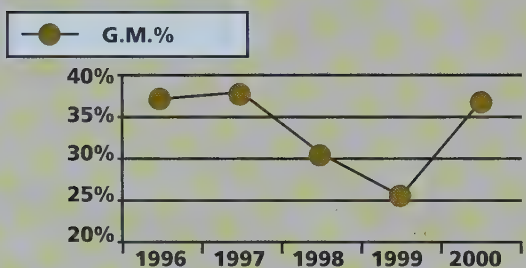
MANAGEMENT DISCUSSION AND ANALYSIS

GROSS MARGIN ANALYSIS

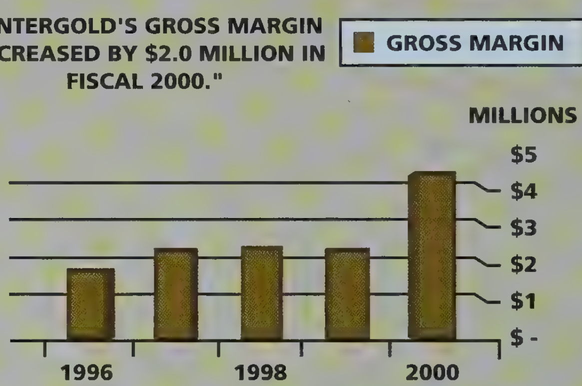
	AUGUST 31, 2000	AUGUST 31, 1999	% INCREASE
GROSS MARGIN	$ 4,141,358	$ 2,081,944	98.9 %
GROSS MARGIN %	36.8 %	25.4 %	11.4 %
COGS	$ 7,125,625	$6,118,889	16.5 %

For fiscal 2000 a record gross profit of $4,141,358 is being reported, compared with $2,081,944 in fiscal 1999. The significant investment in people and resources made in 1999 has lead to not only increased revenues but also increased margins. An increase in gross margin from 25.4% to 36.8% has contributed to a significant increase in Intergold's operating income. Through increased manufacturing and operating efficiencies, streamlining current operations, investment in further vertical integration and increased emphasis on increasing the volume of emblematic jewelry distributed, management anticipates that it will be able to increase these margins further in future operating years.

"A CONCIOUS EFFORT BY INTERGOLD TO NOT ONLY INCREASE REVENUES BUT INCREASE OPERATING MARGINS HAS RESULTED IN SIGNIFICANT INCREASES IN 2000 TO THE COMPANY'S G.M. %.



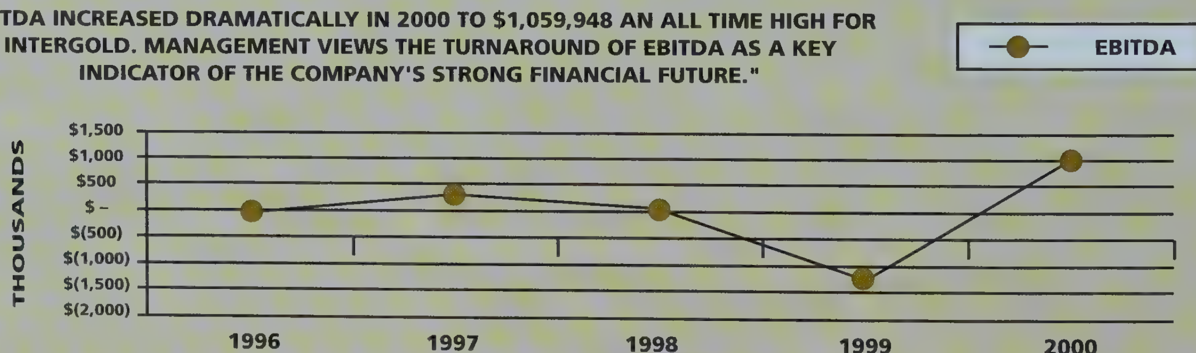
"INTERGOLD'S GROSS MARGIN INCREASED BY $2.0 MILLION IN FISCAL 2000."



EARNINGS BEFORE INTEREST, AMORTIZATION AND TAXES (EBITDA)

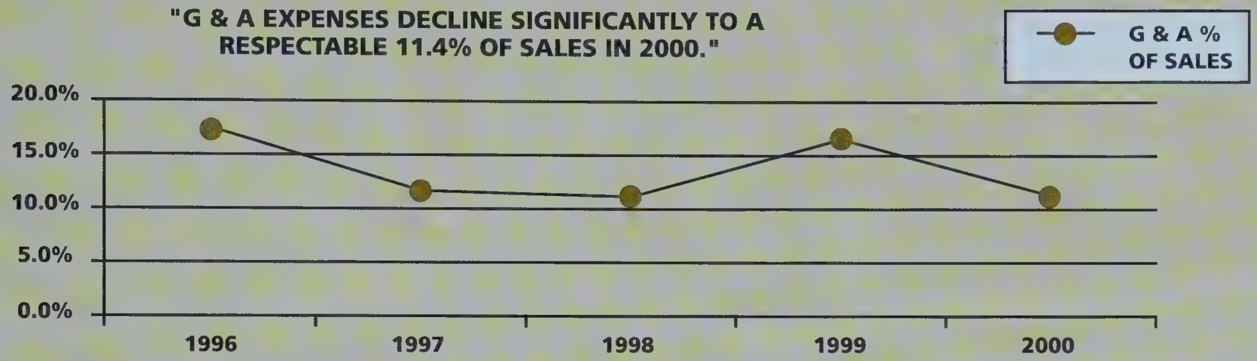
Operating income increased significantly in 2000 to $1,059,948, a favorable variance of $2,280,231 from 1999. The Company's commitment to increasing its revenue and operating income through expansion into profitable international markets has begun to yield better financial results. Intergold's significant increase in its operating income is attributable to its past investments, system expansions, and the development of new operating segments and enhancing its strategic business units. Senior management of the corporation has established these strategic business units to facilitate the achievement of the Corporation's long-term growth objectives, to aid in resource allocation decisions and to assess divisional performance.

EBITDA INCREASED DRAMATICALLY IN 2000 TO $1,059,948 AN ALL TIME HIGH FOR INTERGOLD. MANAGEMENT VIEWS THE TURNAROUND OF EBITDA AS A KEY INDICATOR OF THE COMPANY'S STRONG FINANCIAL FUTURE."

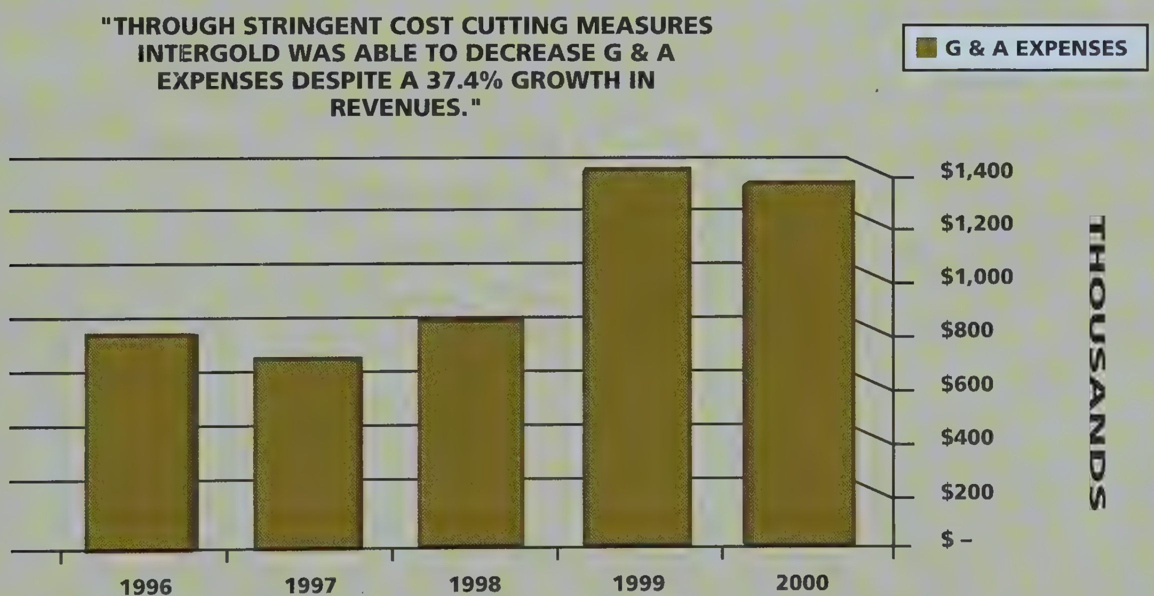


MANAGEMENT DISCUSSION AND ANALYSIS

GENERAL AND ADMINISTRATIVE EXPENSES



In fiscal 2000 senior management also placed a strong emphasis on minimizing general and administrative expenses. General and administrative expenses declined to 11.4% of sales from 16.4% in the prior year. As sales continue to increase, management expects to be able to further decrease general and administrative expenses as a percentage of sales. Management expects to attain this objective through increased manufacturing and operating efficiencies, adhering to strict cost control measures and facilitating the development of strategic business units to identify and control such costs.



Intergold was also able to reduce labor expense despite a 37.4% increase in revenues. The opportunity to capitalize on significant operating efficiencies coupled with the re-structuring of the company's operations allowed the company to reduce labor costs without sacrificing the Company's commitment to provide its customers with a level of quality and service which goes well beyond current industry standards. Management expects to continue to reduce labor cost as a percentage of sales as revenues grow and the company further capitalizes on opportunities to increase efficiencies in manufacturing and general operations.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND CAPITAL RESOURCES

The Company had a positive cash flow in 2000 while increasing its asset base by $2,291,621 to a new record of $8,647,076. The Company continued to invest resources for generating growth in all facets of the operations. The cash generated from operations combined with some access to various capital markets provided sufficient capital to finance the growth opportunities, administer the current operations and fulfill its debt repayments. The Company had a significant increase in its cash from operations. Increased cash flow from operations was primarily due to the increased distribution of emblematic jewelry to the international markets. Management intends to continue to focus on increasing cash from operations through profitable growth in the manufacturing of its emblematic jewelry. Cash flows used in operating activities were attributable to expenditures incurred in 1999 relating to the infrastructure and system expansions that were primarily paid for in 2000.

The Company continued to invest funds to complete its new state of the art manufacturing facility. During the year $885,972 was allocated for the purchase of property and equipment. In 2000, Intergold also increased the production of its dies and molds. During the year $789,947 was invested in designing and manufacturing dies and molds to facilitate the production of emblematic jewelry. Fiscal 2000 also saw the Corporation invest in the development and expansion of its information systems. Through the implication of proprietary information technology and the enhancement of their current systems, Intergold has been able to gain significant operational efficiencies.

To fund corporate operations and investments, $463,550 was raised in equity markets and $4,169,000 was raised through a combination of debt and convertible debentures. Funding sourced from debt or equity is determined primarily on the basis of the Company's capital structure and prevailing capital market conditions.

MANAGEMENT DISCUSSION AND ANALYSIS

Through increased sales, increased margins and increased cost cutting measures the Company experienced a significant turnaround in its operational and financial performance. Although the Company is disappointed in reporting a net loss of $164,866 for the fiscal year the management is pleased with the $1,723,165 favourable variance to the bottom line. The loss incurred in fiscal 2000 included a charge for bad debts and for other contingent liabilities. Other contingent liabilities include charges to operations for professional fees incurred by the Corporation to defend itself from a lawsuit launched in the State of Arizona. The Company believes that the ultimate outcome of this suit will not have a material impact on the financial statements, results of operations and cash flows of the Company. The Company believes substantially all of these funds will be collected from its insurance carrier but has adopted a conservative policy and charged these costs to operations.

Management was disappointed in the performance of the Company's share price during the year. Management believes the decline experienced in 2000 was not a reflection of its business operations but rather the general market conditions. The management team does not believe the share price reflects the full value of the shares, we will continue to focus on factors within our control and on delivering profitable growth to our shareholders. Senior management continues to be convinced of the fundamental strengths of the Company and of our prospects for growth.

Undoubtedly fiscal 2000 was a successful year and the beginning of a promising financial future. The Company was able to make huge inroads in the international marketplace and achieve considerable growth in many facets of its operations. The Company will continue to concentrate on gaining operational efficiencies and increasing economic value. However this success was really a continuation of the pattern of profitable growth we have established over the last five years. The management believes this success stems from our focused approach to business, how we develop and refine our strategies for growth, our dedication to increasing shareholder value and how we measure performance.

In 2000 the Company strengthened its financial condition and economic value tremendously. In 2001 and beyond we will continue to strengthen our existing financial position and begin to establish new strategies which will enable the Intergold of the future to provide the highest commitment to excellence and value for our shareholders, our customers, and the communities in which we operate.

Intergold

MANAGEMENT'S REPORT

To the Shareholders of
Intergold Ltd.

Management is responsible for the accompanying financial statements and all other information in this Annual Report. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Financial statements are not precise since they include certain amounts based on estimates and judgments. When alternative accounting methods exist, management has chosen those it deems appropriate under the circumstances to ensure that the financial statements are presented fairly in all material respects. Management has prepared the financial information presented elsewhere in the annual report and has ensured it is consistent with that in the financial statements.

Intergold maintains systems of internal accounting and administrative controls of high quality. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Corporation's assets are appropriately accounted for and adequately safeguarded.

The Board of Directors and its committees are responsible for all aspects related to governance of the Corporation. The Audit Committee of the Board, composed of directors who are not officers or employees of the Corporation, has a specific responsibility for ensuring that management fulfills its responsibilities for financial reporting and internal controls related thereto. The Committee meets with management and independent auditors to review the financial statements and the internal controls as they relate to financial reporting. The Audit Committee reports its findings to the Board for its consideration in approving the financial statements for issuance to the shareholders.

Dick Cook Schulli Chartered Accountants, appointed by the shareholders as the Company's independent auditors, conducts an examination of the financial statements in accordance with Canadian generally accepted auditing standards. Dick Cook Schulli has full and free access to the Audit Committee.

M. Armutlu
President & CEO

J.F. Wakulich, CA
Chief Financial Officer

Intergold

AUDITORS' REPORT

To the Shareholders of
Intergold Ltd.

We have audited the balance sheet of Intergold Ltd. as at August 31, 2000 and the statements of loss and deficit and cash flow for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We have conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at August 31, 2000 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The previous year's financial statements were audited by another firm of Chartered Accountants, who issued their opinion without reservation on November 18, 1999.

Dick Cook Schulli
CHARTERED ACCOUNTANTS

Calgary, Alberta
November 10, 2000

BALANCE SHEET

As At August 31, 2000

	2000 $	1999 $
ASSETS		
CURRENT		
Accounts receivable	**1,526,221**	964,507
Inventories (Note 3)	**1,937,471**	1,613,741
Prepaid expenses and deposits	**93,925**	138,382
	3,557,617	2,716,630
CAPITAL ASSETS (Note 4)	**4,544,435**	3,424,854
DEFERRED CHARGES (Note 5)	**545,024**	213,971
	8,647,076	6,355,455
LIABILITIES		
CURRENT		
Bank indebtedness (Note 6)	**607,587**	918,057
Accounts payable	**879,953**	2,893,017
Current portion of long-term debt (Note 7)	**1,048,624**	395,542
	2,536,164	4,206,616
LONG-TERM DEBT (Note 7)	**4,419,000**	1,046,624
	6,955,164	5,253,240
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (Note 8)	**6,196,468**	5,441,905
DEFICIT	**(4,504,556)**	(4,339,690)
	1,691,912	1,102,215
	8,647,076	6,355,455

Approved by the Board:

Michael McG, Director

Michael H. Shaw, Director

STATEMENT OF LOSS AND DEFICIT

For the year ended August 31, 2000

	2000 $	1999 $
SALES	**11,266,983**	8,200,833
COST OF SALES	**7,125,625**	6,118,889
GROSS MARGIN	**4,141,358**	2,081,944
EXPENSES		
General, administrative and selling (Note 11)	**1,282,362**	1,342,087
Interest and bank charges	**182,946**	161,717
Salaries and benefits	**1,616,102**	1,798,423
	3,081,410	3,302,227
OPERATING INCOME (LOSS)	**1,059,948**	(1,220,283)
Amortization	**835,948**	457,133
Interest on long-term debt	**388,866**	210,615
NET LOSS FOR YEAR	**(164,866)**	(1,888,031)
DEFICIT, BEGINNING OF YEAR	**(4,339,690)**	(2,451,659)
DEFICIT, END OF YEAR	**(4,504,556)**	(4,339,690)
NET LOSS PER SHARE		
Basic	**(0.04)**	(0.42)
Average common shares outstanding	**4,679,183**	4,477,543

STATEMENT OF CASH FLOWS

For the year ended August 31, 2000

	2000 $	1999 $
CASH PROVIDED BY (USED FOR): Operating Activities		
Net loss for year	**(164,866)**	(1,888,031)
Add items not affecting cash:		
Amortization of capital assets	**556,338**	341,687
Amortization of development costs	**148,019**	115,446
Amortization of deferred financing fees	**131,591**	–
	671,082	(1,430,898)
Changes in non-cash working capital items:		
(Increase) decrease in accounts receivable	**(561,714)**	160,861
Increase in inventories	**(323,730)**	(431,506)
Decrease in prepaid expenses and deposits	**44,457**	27,628
(Decrease) increase in accounts payable	**(2,013,064)**	1,463,437
Cash flows used in operating activities	**(2,182,969)**	(210,478)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	**463,550**	1,370,226
Proceeds from long-term debt	**4,169,000**	1,250,000
Repayment of long-term debt	**(143,542)**	(266,989)
Deferred financing fees paid	**(139,650)**	–
Cash flows from financing activities	**4,349,358**	2,353,237
CASH FLOWS USED IN INVESTING ACTIVITIES		
System development costs paid	**(180,000)**	(122,824)
Purchase of property and equipment	**(885,972)**	(1,629,106)
Production of dies and molds	**(789,947)**	(405,088)
Cash flows used in investing activities	**(1,855,919)**	(2,157,018)
INCREASE (DECREASE) IN CASH FOR YEAR	**310,470**	(14,259)
BANK INDEBTEDNESS, BEGINNING OF YEAR	**(918,057)**	(903,798)
BANK INDEBTEDNESS, END OF YEAR	**(607,587)**	(918,057)

Supplemental disclosure of cash flow information - Notes 7 and 8

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended August 31, 2000

1. NATURE OF OPERATIONS

Intergold Ltd., (the "Company") is incorporated under the Business Corporations Act of Alberta, Canada. Its principal business activities include the design, manufacture and sale of precious and non-precious metal custom jewelry and emblematic accessory products to students and organizations that recognize their members or employees by awarding customized products. Sales occur for the Company in Canada and the United States

2. SIGNIFICANT ACCOUNTING POLICIES

a. Use of estimates

The financial statements of the Company have been prepared in accordance with Canadian generally accepted accounting principles and are denominated in Canadian dollars. The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

b. Inventories

Inventories of raw materials and supplies are recorded at the lower of cost and net realizable value. Inventories of work in progress and finished goods are recorded at the cost of material plus the cost of applied direct labour and overhead expenses.

c. Capital assets

Capital assets are stated at cost. Dies and molds are manufactured internally and are capitalized at amounts including labour, materials and overhead. Dies and molds not used on a recurring basis or which are not considered to benefit future years are expensed in the year.

Capital assets are amortized over their useful lives to their salvage value as estimated by management commencing in the year of acquisition as follows (half-year rule is applied in year of acquisition):

Manufacturing equipment	15 years	straight-line
Dies and molds	15 years	straight-line
Office equipment	20%	declining balance
Leasehold improvements	5 years	straight-line
Product samples	20%	declining balance
Computer equipment	30%	declining balance
Computer software	100%	declining balance

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended August 31, 2000

d. Deferred charges

The Company capitalizes systems and market development costs and recruiting and training costs related to its corporate award recognition and school programs which are expected to benefit future periods. These costs are amortized over a three-year period.

The Company also capitalized finance charges incurred as a result of the issuance of the convertible debentures in October of 1999. These costs are amortized over a three-year period, which represents the term of the convertible debentures.

e. Revenue recognition

The Company recognizes revenue from the sale of jewelry and award merchandise when the products are shipped and the services are rendered. Any foreseeable losses on contracts are charged to operations at the time they become evident.

f. Income taxes

The Company follows the liability method of accounting for income taxes. Under this method, future income taxes reflect the tax consequences of temporary differences between the balance sheet carrying amounts and the tax bases of assets and liabilities. These future income taxes are calculated using the income tax rates and tax laws that are expected to apply when these temporary differences are reflected in taxable income. No recognition is made for future income tax assets unless it is more likely than not that the Company would obtain profitable operations.

g. Earnings per share

Basic earnings per share is calculated using the weighted average number of shares outstanding during the year.

Fully diluted earnings per share is not reported as its effect is anti-dilutive.

h. Financial instruments

The Company's financial instruments consist of accounts receivable, bank indebtedness, accounts payable and long-term debt. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying value.

i. Foreign exchange

Accounts in foreign currencies have been translated into Canadian dollars using the temporal method. Under this method monetary assets and liabilities have been translated at the year-end exchange rate. Non-monetary assets, which comprise capital assets and deferred expenditures, have been translated at the rate of exchange prevailing at the date of transaction. Revenue and expenses have been translated at the average rate of exchange during the year, except for amortization, which has been translated at the same rate as the related assets.

j. Comparative figures

Certain of the comparative figures have been reclassified to conform with current year's presentation. The deficit for the year ended August 31, 1999 remains unchanged.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended August 31, 2000

3. INVENTORIES

	2000 $	1999 $
Raw materials - gems and stones	**460,546**	427,416
Raw materials - metals	**118,144**	97,726
Work in progress	**147,205**	81,679
Finished goods	**557,893**	477,412
Award merchandise and other	**653,683**	529,508
	1,937,471	1,613,741

4. CAPITAL ASSETS

	2000 $			1999 $
	Cost	**Accumulated Amortization**	**Net Book Value**	**Net Book Value**
Manufacturing equipment	**1,743,324**	**457,753**	**1,285,571**	1,146,452
Dies and molds	**3,145,499**	**1,116,986**	**2,028,603**	1,387,806
Office equipment	**556,935**	**322,590**	**234,345**	273,002
Leasehold improvements	**878,107**	**347,414**	**530,693**	508,351
Product samples	**485,675**	**99,380**	**386,295**	109,243
Computer equipment and software	**115,759**	**36,831**	**78,928**	–
	6,925,299	**2,380,864**	**4,544,435**	3,424,854

The Company manufactures the master and production dies and molds for the jewelry and emblematic accessory products it produces. The amount capitalized in respect of dies and molds totaled $789,947 in the year (1999 - $405,088). Amortization expense in respect of all dies and molds totaled $149,150 (1999 - $115,294).

5. DEFERRED CHARGES

	2000 $			1999 $
	Cost	**Accumulated Amortization**	**Net Book Value**	Net Book Value
Finance charges	**430,663**	**131,591**	**299,072**	–
System and development costs	**922,732**	**676,780**	**245,952**	213,971
	1,353,395	**808,371**	**545,024**	213,971

6. BANK INDEBTEDNESS

	2000 $	1999 $
Bank indebtedness	**745,402**	950,352
Less: Cash in bank	**137,815**	32,295
	607,587	918,057

The Company has a maximum credit facility in the amount of $1,000,000 with interest at bank prime plus 1% per annum. Security is comprised of a registered General Security Agreement providing a first fixed charge on all assets, a registered general assignment of book debts and inventory and an assignment of fire, liability and key man life insurance showing the bank as first loss payable. Subsequent to the year end the Company increased its maximum credit facility to $1,500,000.

7. LONG-TERM DEBT

	2000 $	1999 $
Bank of Montreal demand loan, non-revolving, at prime plus 1.75%, repayable in monthly installments of $6,944 plus interest, due March 2001.	**48,624**	131,952
Debenture bearing interest at an annual rate of 8% payable on a monthly basis commencing November 7, 1999 and ending on September 30, 2002. Security is comprised of a first fixed and floating charge on the Company's property and assets, both present and future, subject only to listed permitted encumbrances.	**4,419,000**	1,250,000

Franc-Or Resources Corporation loan with interest at 8% per annum due April 25, 2001. Security is comprised of a promissory note a general security agreement over all property, assets, and undertaking of the Company.	**1,000,000**	–
Western Economic Diversification non-interest bearing loan, which is unsecured and was repaid during the year	–	60,214
	5,467,624	1,442,166
Less current portion	**1,048,624**	395,542
	4,419,000	1,046,624

On October 7, 1999 the Company completed a non-brokered private placement to three investors of convertible, secured, subordinated debentures in an aggregate amount of $4,419,000. Of such funds, $1,250,000 were converted into a debenture from funds previously loaned to the Company. In addition, the Company issued to these investors an aggregate of 55,431 Class "A" common voting shares in consideration for services rendered in arranging the financing and as a financing fee. In addition, additional legal and other fees of $139,650 were paid by the Company with respect to the issuance of the debenture. The terms of the debenture provide that it will mature on September 30, 2002, but may be converted into 841,715 Class "A" common voting shares of the Company on the basis of a conversion price of $5.25 per share to September 30, 2001, and $5.75 per share from October 1, 2001 until September 30, 2002. The financing fee shares were issued at a deemed value of $5.25 per share, which represented the fair market value of the Company's shares at October 7, 1999.

Principal repayments are estimated as follows:

2001	$1,048,624
2002	–
2003	4,419,000
	$5,467,624

Security in respect of the Bank of Montreal loans is outlined in Note 6.

8. SHARE CAPITAL

Authorized

Unlimited number of redeemable first preferred shares
Unlimited number of cumulative preferred shares, issuable in series
Unlimited number of Class A voting common shares
Unlimited number of Class B voting common shares
Unlimited number of Class C non-voting common shares

	2000		1999	
	#	$	#	$
Issued				
Class A voting common shares				
Balance, beginning of year	**4,565,457**	**5,441,905**	4,132,452	4,071,679
Exercise of options	**66,800**	**72,550**	45,000	51,600
Exercise of warrants	**68,000**	**391,000**	260,000	650,000
Services rendered	**55,431**	**291,013**	–	–
Private placements	–	—	128,005	668,626
Balance, end of year	**4,755,688**	**6,196,468**	4,565,457	5,441,905

On October 7, 1999, Intergold Ltd. issued to investors an aggregate of 55,431 Class "A" common voting shares for $5.25 per share in consideration for services rendered in arranging the financing and as a financing fee. The net cost of the financing fee, $291,013 has been deferred and is being amortized over a 36 month period.

Stock option plan

The Company has a stock option plan for directors, officers, and employees. The Company is authorized to issue options under the plan to acquire up to 10% of the common shares of the Company outstanding from time to time. The options are non-assignable and are exercisable for a period of five years from the date they are granted. At August 31, 2000, options to acquire 336,293 (1999 - 426,200) common shares and warrants to acquire 60,005 (1999 - 128,005) common shares were outstanding at prices ranging from $1.00 to $5.50 per share with expiry dates ranging from October, 2001 to September, 2004.

9. RELATED PARTY TRANSACTIONS

Related party transactions not otherwise disclosed in these financial statements comprise:

	2000	1999
	$	$
Amount due from an officer and director	168,777	36,677

The amount due from an officer and director is non-interest bearing and is due on demand and is disclosed in accounts receivable. Subsequent to the year-end the Company received $102,500 in relation to the account receivable leaving a remaining balance outstanding of $66,277.

10. LEASE COMMITMENTS

The Company leases office and manufacturing facilities for $18,746 per month excluding operating costs. The leases expire at various dates in 2003.

In addition, the Company leases office equipment and vehicles for $9,959 per month. These leases expire at various dates through the year 2005.

11. CONTINGENCY

The Company is a defendant in an action involving design patent, copyright, and trademark infringements in the State of Arizona. The Company believes that the ultimate outcome will not have a material impact on the financial statements, results of operations and cash flows of the Company. In order to defend itself the Company has incurred legal fees which have been charged to operations, net of expected recoveries of these costs from its insurance carrier.

12. INCOME TAXES

The Company has losses carried forward for income tax purposes of approximately $2,800,000 for which the tax benefits have not been recognized. These losses expire at various dates through the year 2007.

In addition, the Company has remaining tax deductions for equipment and deferred charges of approximately $6,400,000.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended August 31, 2000

13. SEGMENTED INFORMATION AND EXPORT SALES

The Company operates in one operating segment being, the development, manufacture and sale of precious and non-precious metal custom jewelry and emblematic accessory products to students and organizations that recognize their members or employees by awarding customized products.

Substantially all of the Company's assets, operations and employees are located in Canada.

During the year ended August 31, 2000 the Company had export sales to the United States of $4,099,328 (1999 - $1,555,480) and purchases of $2,401,007 (1999 - $2,499,117).

Included in accounts receivable is $1,045,992 (1999 - $40,559) in relation to these sales. Included in accounts payable is $155,685 (1999 - $988,893) in relation to these purchases.

SHAREHOLDER AND INVESTOR INFORMATION

Executive and Corporate Offices

Intergold Ltd.
3924, 29th Street N.E.
Calgary, Alberta, T1Y 6B6
Phone: 403-250-2495
Fax: 403-250-2624
e-mail: adminigo@intergold.com

Intergold Ltd. - Manufacturing
3823, 29th Street N.E.
Calgary, Alberta, T1Y 6B5
Phone: 403-717-3707
Fax: 403-717-3711

Board of Directors

Miran Armutlu
Calgary, Alberta

Michael McGee* **
Calgary, Alberta

Garnik Nanagoulian
Montreal, Quebec

Terence Ortslan**
Montreal, Quebec

Michael Shaw* **
Calgary, Alberta

Duane Stuerman*
Pismo Beach, California

* *Member of the Audit Committee*

** *Member of the Compensation Committee*

Officers and Senior Management

Miran Armutlu
President and Chief Executive Officer

John Wakulich, C.A.
Chief Financial Officer

Kapriel Armutlu, P.Eng.
Vice President, Operations

Auditors

Dick, Cook, Schulli
Chartered Accountants
Calgary, Alberta

Legal Counsel

Borden, Ladner, Gervais
Calgary, Alberta

Bankers

Bank of Montreal
Calgary, Alberta

Registrar

Montreal Trust Company
Calgary, Alberta

Stock Exchange Listing

Canadian Venture Exchange
Symbol: IGO.A

INTERGOLD LTD.